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C O N F I D E N T I A L SECTION 01 OF 05 KATHMANDU 002045

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MANILA FOR ADB
LONDON FOR POL - RIEDEL

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TAGS: [PREL](#) [EAID](#) [NP](#)

SUBJECT: FOLLOW-ON TO THE CONFERENCE ON NEPAL IN LONDON:
DONOR REPS IN KATHMANDU ENDORSE CONTINUING SUPPORT DESPITE
MAOIST CRISIS

Classified By: DEPUTY CHIEF OF MISSION ROBERT K. BOGGS. REASONS: 1.5 (b, d)

1. (C) Summary. The British Embassy in Kathmandu convened a meeting on October 11 of representatives of bilateral and multilateral donors to Nepal as a follow-up to the London meeting on Nepal in June. Despite continuing donor disquietude about Nepal's political and security problems, there was fundamental consensus among the 22 donors that the international community should recognize the constraints imposed on the Government of Nepal by the Maoist insurgency and not impose unreasonable preconditions for continuing developmental assistance. This meeting is being viewed by the British Embassy as the activation of an "International Contact Group" that will meet periodically to maintain the momentum and coordination begun in London. Reservations by the Indian and Chinese Governments have forced the FCO to revise its initial proposals for a more elaborate architecture of multilateral dialogue on Nepal. End summary.

2. (C) The British Embassy in Kathmandu took advantage of the visit to Kathmandu of Undersecretary of State of the UK, Mike O'Brien, to convene a meeting of 22 bilateral and multilateral donors and representatives of the Nepalese Government and military. The meeting was billed as a follow-up to the International Meeting on Nepal held in London in June 2002 although this meeting's abbreviated length (two hours) necessitated a much more general, less comprehensive discussion than had occurred in London. There was little discussion of specific developmental aid since the June meeting and no discussion of security assistance by any of the participants. Mike O'Brien made clear that his Embassy intended to issue a Chairman's Statement at the conclusion of the meeting which would attempt to capture the spirit of the meeting, but which would not be a formally cleared, multilateral document. (See para 10 for the final version of the Chairman's Statement.) Several representatives specified that the meeting must be considered informal, since they had no authorization from their capitals to participate in a more structured contact group.

3. (C) Ambassador Malinowski set the tone of the subsequent discussion by pressing for an appropriately strong condemnation of Maoist tactics, including terrorism, human rights abuses against civilians, and destruction of economic and social infrastructure. He said that he had received repeated assurances from GON leaders that the Government was willing to negotiate with the Maoists when the climate for a fruitful political process had been created. The Ambassador reiterated the interest of the US in social and political reform, including the reduction of corruption, but argued that unreasonable preconditions should not be imposed on Nepal during this time of crisis. He acknowledged that the operations of the GON security forces do sometimes obstruct the free flow of food to insurgency-affected areas, but the root cause of this was Maoist depredations. He urged the donors not just to complain about or solely criticize GON actions or inactions, but to be prepared to work with the GON in efforts to effectively combat the insurgency and to develop -- like the U.S. and the UK -- new programs to specifically help the GON counter the Maoists. USAID/NEPAL Director Joanne Hale called upon the donor community to join the US in strengthening the rural justice system, the lacunae in which tend to be filled by Maoist summary courts. Hale also described USAID plans to rebuild, through quick income-generating programs, rural infrastructure destroyed by the Maoists and to rehabilitate child victims of Maoist violence. Hale pledged USAID's willingness to work with other donors on our new programs.

4. (C) The Russian and Australian Ambassadors and the Danish Representative agreed that the Chairman's Statement should give stronger emphasis to the Maoists' destruction of infrastructure. The German Ambassador too agreed that the Chairman's Statement should place stronger onus on the Maoists as the root cause of many of Nepal's current problems, but felt that some criticism of the GON was justified. The Norwegian Ambassador--usually a vocal critic of the GON--acknowledged that progress on reforms was being achieved due to the dedicated efforts of some civil servants

and members of civil society, but expressed concern that governmental corruption is being aggravated by Maoist extortion. Although the Government's counterinsurgency operations did place unfortunate restriction on the movement of food and medicines to some areas, she said, the morale of the security forces is important and should be bolstered by increased development expenditure in the rural areas. The Indian Charge emphasized the importance of supporting Nepal's fledgling democracy and constitutional monarchy. The donor community should do nothing, he warned, to lower the morale of the Nepalese people, Government or security forces. He urged the donor community to reiterate its support for the security and development of Nepal. The Chinese Ambassador predictably warned against foreign interference in the internal affairs of the Kingdom.

15. (C) The representatives of three leading multilateral donors--the IBRD, UNDP, and ADB--expressed striking unanimity on the following points:

-- Nepal is now in the throes an unprecedented economic and developmental crisis;

-- Donors should not give the impression that the GON bears primary responsibility for this crisis, since this would only strengthen the hand of the Maoists;

-- The international community must recognize the devastating impact that the Maoist insurgency is having on the capacity of the government to deliver social services and implement development programs;

-- Donors should not try to dictate a schedule for GON negotiations with the Maoists nor set unrealistic political preconditions for the continuation of developmental support.

16. (U) The GON was represented by several senior Foreign Ministry officials, a member of the National Planning Commission, and a major general working in the National Security Council Secretariat. The ranking Foreign Ministry representative presented the donors with the Government's "Action Plan to Expedite Reforms." The major general argued forcefully for more international resources to rehabilitate surrendered Maoists and the victims of Maoist violence.

17. (U) List of Attendees:

Mr. Michael Malinowski, US Ambassador
Mr. Ruediger Wenk, Delegation of the EU Charge d'Affaires
Dr. Giap Dang, EU Delegation
Ms. Carla Hogan Rufelds, Canadian Cooperation Office
Mr. Louis Simard, Canadian Cooperation Office
Mr. Crispin Conroy, Australian Ambassador
Mr. Kazumi Suzuki, Japanese DCM
Mr. Saburo Sato, Japanese Embassy
Mr. Shota Kamishima, Japanese Embassy
Mrs. Ingrid Ofstad, Royal Norwegian Ambassador
Mr. Ashok Kumar, Indian Charge d'Affaires
Mr. Gert Meinecke, Royal Danish Charge d'Affaires
Mr. Ruediger Lemp, German Ambassador
Mr. Ulf Wernicke, Director, GTZ
Mr. Claude Ambrosini, French Ambassador
Ms. Amandine Pobe, French Embassy
Mr. Valery Nazarov, Russian Ambassador
Mr. Wu Congyong, Chine Ambassador
Mr. Jan de Witte, SNV Nepal
Mr. Peter Koch, Dutch Ambassador (SNV)
Mr. Kenichi Ohashi, World Bank (IBRD)
Ms. Joanne T. Hale, Director, USAID
Mr. Robert K. Boggs, US DCM
Mr. Henning Karcher, UNDP
Mr. Anton Hagen, SDC (N) Swiss
Mr. Asko Luukkainen, Finnish Charge d'Affaires
Mr. Gyan Chandr Acharya, Joint Secretary, Europe and America Division, MFA
Dr. Shankar Sharma, National Planning Commission
Maj-Gen Rookmangud Katawal, National Security Council Secretariat

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Professor Sridhar Khatri, Institute of Foreign Affairs
Mr. Madhav Ghimire, Ministry of Foreign Affairs
Dr. Rambhaktar Thakur, Joint Secretary, MFA
Mr. Sukhwinder Singh, IMF
Ms. Erika Joergensen, WFP
Mr. Richard Vokes, Asian Development Bank
Mr. Bruno Georges, as observer for Belgian Delegation

18. (C) Comment. The tenor of the October Donors' Meeting in Kathmandu essentially replicated that of the June meeting in London. The local donor representatives are deeply concerned about the continuing deterioration in Nepal's economic situation, which they attribute primarily to the Maoists. Although they hold the GON responsible for administrative lapses and political infighting, they do not want to issue public statements or set political preconditions that would

encourage the Maoists to believe that international opinion is shifting in their favor. They were particularly cautious about making political statements on October 11, the same day that the King announced his appointment of a new prime minister and a number of new cabinet ministers. Many donor representatives are concerned about the series of political missteps by the elected government that led the King to dissolve the Cabinet on October 4, and are reporting pressures from their capitals to justify continued development assistance in the face of Maoist violence and constitutional issues in Kathmandu. The donor community is united, however, in giving the King the benefit of the doubt as his new government takes steps against governmental corruption and tries to establish a modus vivendi with the political parties that would provide a common front in future negotiations with the Maoists.

19. (C) Comment, continued. Since the October 11 confab at the British Embassy, Ambassador Malinowski has consulted repeatedly with his British counterpart Keith Bloomfield about additional steps to maintain the momentum created by the June meeting on Nepal in London. The October 11 meeting, Bloomfield explained, might be considered the activation of the most comprehensive of four multilateral working groups on Nepal endorsed by the FCO. Unfortunately, he said, both the Indian and Chinese Governments, with which the British Government has consulted about its proposed four working groups, have declined to participate in multilateral discussions focussing narrowly on Nepali security or political issues. Ambassadors Malinowski and Bloomfield agreed that, despite Indian and Chinese misgivings, international dialogue and coordination on Nepal should be pursued as far as practicable. The British Embassy here is consulting with FCO on a concept for a more limited architecture of discussions. Embassy will keep Department informed as this revised proposal takes firmer shape. End comment.

10. (U) Final text of final British Chairman's Statement (issued October 22):

Begin text:

"The international meeting on Nepal held in London in June 2002 noted the deep concern of the international community over the conflict in Nepal, particularly the vicious Maoist outrages as well as human rights abuses. The participants in the meeting agreed that an integrated approach of security, reform and development was necessary to address the conflict. The meeting recognized that the basis for international support for such an approach would be democratic political leadership committed to tackling corruption and building national consensus, whilst determinedly pursuing a strong security response.

We note that since the meeting in June, the people of Nepal have continued to suffer. We condemn the threat to democracy posed by the continuing Maoist insurgency and the wanton destruction of life and property by them and insist that political change will not be brought about by violence. We unreservedly condemn all acts of terrorism and abuses of human rights. The community gives strong support to the government which has begun to address reform and development through the immediate action plan and to provide peace, protection and security to all its citizens, and regrets that the security situation did not allow local and national elections to be held this year,

This meeting reviewed and welcomed progress and urges the Government of Nepal and the international community to continue implementing the London recommendations, particularly in the following areas:

- Security: The meeting welcomed recent security efforts and supports the government's determination to show the Maoists that they cannot win by violence;
- Cross-Party Approach: By seeking to develop a cross-party political process which ends the violence;
- Corruption: The meeting welcomed the new anti-corruption law and progress by the CIAA in investigating corruption allegations and urges the Government to ensure legal action is taken against those who breach a position of trust; those who pay bribes are to be condemned as much as those who receive them.
- Development: Within security constraints by increasing visible development efforts particularly in the mid- and far-west of the country, including by improving the circumstances of dalits, women and ethnic groups. There also needs to be continued efforts to coordinate activities by the development agencies to coordinate their efforts and to work with the Nepalese Government;
- Human Rights: The meeting welcomed the commitment of the government to human rights and international humanitarian standards and particularly the establishment of the human rights cell in the Royal Nepal Army, and urges the government to investigate thoroughly allegations of human rights violations and seek the prosecution of offenders, as well as

redress and rehabilitation of victims;
-- Democracy: By setting quickly a timetable for elections
for local representative bodies and parliament;
-- Food and Medicine: By seeking to get food and medicine to
all areas of the country without artificial hindrances;
-- Reform: The meeting welcomed progress made and urges the
government to accelerate reform in key areas of central
government to enable the authorities to effectively tackle
the causes of the conflict, deliver services and support
democracy.

This meeting believes that continued progress on these points
is desirable particularly through:

-- practical support for a resolution of the conflict;
-- further support for reform and development in nepal;
-- support for post-conflict reconstruction in nepal.

This meeting agreed to convene further meetings to coordinate
help for Nepal in tackling the current crisis and long term
problems."
End text.

MALINOWSKI